

**TOWN OF ROCKY HILL
FINANCE COMMITTEE
MEETING OF MARCH 12, 2014**

Present: Chairwoman Cathy Vargas, Councilor Guy Drapeau and Councilor Bill MacDonald. Also present were John Mehr (Finance Director), Barbara Gilbert (Town Manager), Mona McKim (Treasurer) and Lisa Zerio (Director of Parks and Recreation & Custodial Staff) (Left at 5:05 p.m.)

Chairwoman Cathy Vargas called the March 12, 2014 meeting of the Finance Committee to order at 4:30 p.m. in the Council Chambers, Town Hall, 761 Old Main Street, Rocky Hill, CT.

I. ACTION – APPROVAL OF MINUTES – FEBRUARY 12, 2014 MEETING

Councilor Guy Drapeau made a motion to approve the Minutes of the February 12, 2014 meeting of the Finance Committee. The motion was seconded by Councilor Bill MacDonald and adopted unanimously.

Before this motion was made, Councilor Guy Drapeau said he hadn't been present at the February 12, 2014 meeting but he read these (Minutes and Working Notes) so he said that he could act on them.

II. ACTION – APPROVAL OF WORKING NOTES – FEBRUARY 12, 2014 MEETING

Councilor Guy Drapeau made a motion to approve the Working Notes of the February 12, 2014 meeting of the Finance Committee. The motion was seconded by Councilor Bill MacDonald and adopted unanimously.

III. DISCUSSION – PARKS AND RECREATION SPECIAL REC ACCOUNT – PARKS

Chairwoman Cathy Vargas said at the last meeting of the Finance Committee that Councilor Bill MacDonald had requested a cash flow analysis of the balances because it was hard to discuss these without having seen where they went from point to point. Chairwoman Cathy Vargas thanked Mona McKim for doing this. Chairwoman Cathy Vargas told Mona McKim and Finance Director John Mehr that she didn't know if they had any comments about this before she asked the Finance Committee if they had any questions or comments. Finance Director John Mehr said this was Mona McKim's "masterpiece" and he knew that she had spent days working on it. Mona McKim told the Councilors that hopefully this was self-explanatory but she said that she would give them a feeling of what they were looking at. She thinks they had seen some of this information before on this. She took this from the high level and that made this easier to work with. The calendar year was taken and she started with what the beginning balance was.

She said this was in the first column. This was categorized by month. The top number was the revenue that was received. She explained to them how they would read this. She then referred to a column on the far right which stated "Special Rec Transfers". She explained that if there were any transfers from one program to another in mid Fiscal Year that this was where she was noting that. This was just so the actual cash flow wasn't deflected from. The last column had a total of the beginning balance. All of the revenues were across the upper line while all of the expenditures were on the lower line. The bottom number was the ending balance. This was for each category.

Mona McKim referred to the third page of this. This summarized the grand total on the bottom. December 2013 began with \$437,000. She explained some more. The bank balance at the end of the calendar year was \$458,583.

Chairwoman Cathy Vargas thanked Mona McKim. Chairwoman Cathy Vargas asked the Councilors if they had any comments or questions. She said that she had some observations but she told the Councilors that they could go first.

Councilor Bill MacDonald said this was very helpful and he thought this gave him a better flavor for where things are going. He used as an example, the very first account on this page. There was a beginning balance of \$46,000 roughly. All of the expenses were paid throughout the year. He said at the end that they ended up with \$63,000. He said several of the accounts seem to be building up in value and he asked what is causing that. He said the other account that had "jumped out" at him was the one for \$161,000 (R0016). He asked Mona McKim if she could talk about these two accounts a little bit. Mona McKim said she was going to defer this to Lisa Zerio because these would be more programmatic and she said that she had been more of the number gatherer.

Lisa Zerio referred to the first account for the adult programs. They are "hot and heavy" right now on their theatre programs and fitness programs, etc. She said they are paying out \$25,000 just in January for payroll for some of their programs. She said at the last Finance Committee meeting that she thought she had stated that it isn't like all of their programs start on one date and end on one date. The basketball season is ending up right now but she said this cash flow analysis isn't showing that they still have to pay the payroll for January, February and March for the youth and adult programs. She explained that this is really the timing of when it hits. She mentioned that if they did this from April to April that they would see some of the accounts really going down because the winter sports are closing now. They are starting to take registrations in for Summerscape and their spring activities though.

Councilor Bill MacDonald said \$25,000 is being paid in March 2014 and he asked if about the same amount would have been paid in March 2013. Lisa Zerio said this all depends when this gets posted too. She said that sometimes the payroll is one month behind for tracking purposes. Councilor Bill MacDonald said it doesn't look like they had a lot of expenses in 2013 versus the revenue that was coming in. He explained some more. He said also that maybe they could talk briefly about youth football, soccer and theatre because he said it seems like there is a large balance in that. Lisa Zerio said the Finance Department has these grouped together whereas she and the Parks and Recreation Department have everything by program. She said that she could

tell them at any time what they took in for soccer and what was paid out for the referees, etc. The Parks and Recreation Department's is more to a level of detail. Councilor Bill MacDonald said that there was \$100,000 in this account as of December 31, 2012 and he said there was \$160,000 in this one year later. It seems to him that there is a lot of money in that one account that seems to be dormant. He referred to the grand total. There is roughly a \$400,000 total every year that seems to be sitting in the account. There are all of the expenses and revenue during the year and they still end up with \$400,000. He thinks that someone who doesn't understand what is going on would ask why \$400,000 isn't being transferred out of this account over to the general side. There would still be a balance of \$37,000 to \$58,000 year after year.

Lisa Zerio said the R16 codes are for approximately twenty individual programs. Travel basketball has a balance of \$26,000. This is for the funds that they use to run that program. She mentioned again that the report isn't showing the payroll for January, February or March. The same thing is true for the youth basketball. She then referred to a dance program, which is a smaller program. This had started out with \$4,000. This is staying stagnant now because money was taken in but the classes are still being run. Money has been taken in to pay for the whole six month program but it hasn't been paid out yet.

Councilor Guy Drapeau told Mona McKim that this was a good try but that she was missing a couple of pieces. Councilor Guy Drapeau said this doesn't roll on a month to month basis so they can't really see how the cash is trending. He said that Councilor Bill MacDonald had been convoluting to this. Councilor Guy Drapeau referred to R001 and he mentioned what the balance was to start off with. He then asked what the balance was at the end of April 2013. He said they don't know this on this report so they can't tell. They see the plusses and minuses but they can't see where the money is trending. He said if there was a sweeping type of policy that he would ask what the low point in cash is by account per year so that they could keep at least that much in there. He explained that they didn't have this information in front of them at the moment. He said he had brought some things in because he had done a little homework on this. He mentioned that globally, one of the challenges with these accounts in particular, is that when this report is looked at that it appears that a great deal of money is set aside and it is not being redistributed to the general fund for other Town purposes. He said that Councilor Bill MacDonald had indicated that before. Councilor Guy Drapeau then referred to them looking at the details like Lisa Zerio had just been trying to do. Each of the accounts has different purposes and the seasonality of cash flows by purpose is very diverse in some cases. Councilor Guy Drapeau told them that he thinks this is where they were getting "jammed up" on this. He believes that due to a lack of fiscal policy that some of these accounts have been allowed to build up over time. This can be rectified he said with a thoughtful policy that is executed once per annum. He said he would recommend fiscally that this not be by calendar year for the ease of end of year accounting. He mentioned that the Finance Director would be charged with sitting down with the Director of Parks and Recreation to determine what balances should be rolled over and what should be redirected back to the operating fund on an account by account level. He said this will get back to what he had been saying about the low point in cash. He referred to whatever their low point is by account and he said they should have at least that much in there to cover whatever is left over. The beginning fiscal balances should have a proper explanation and proper justification which can be discussed at the Board level if there is inquiry. He said this was basically what they were doing now. He asked everyone if this made sense to them.

Town Manager Barbara Gilbert said this enterprise fund basically was created by Ordinance. The Town Council can amend the Ordinance at any time. She said they do have another enterprise fund that sweeps itself down to a balance of \$10,000 every year for youth services. She mentioned that she will leave that because she relies on her financial team and this will be something for them to determine. If the Town Council wishes to adopt a policy as an amendment to that Ordinance then that will become the functioning policy. Councilor Guy Drapeau said all of the accounts are not created equally and the \$10,000 number might not be appropriate. He explained some more. Town Manager Barbara Gilbert said she wasn't suggesting \$10,000 and she thinks this is a number to be determined. Councilor Guy Drapeau said they are all concerned that \$500,000 in all of these combined is too high and they are there to get this to a level that is more manageable.

Chairwoman Cathy Vargas asked if there was any response. Councilor Guy Drapeau said he didn't think he had asked any questions. Chairwoman Cathy Vargas told Councilor Guy Drapeau that he had made a statement and she wanted feedback on his comments. Councilor Guy Drapeau asked Finance Director John Mehr if this is doable. Finance Director John Mehr said yes. He thinks they should look at it this way and that they should establish some sort of a policy. He said maybe there are just a handful of accounts that they have to do and he explained some more.

Councilor Guy Drapeau asked Lisa Zerio if it would be possible for her to take a closer look at this and maybe combine a few of these. Councilor Guy Drapeau told Lisa Zerio that maybe she could combine a couple of programs if they run at lower levels. Lisa Zerio said they kind of do that now. Everything she has is by program and she said if she needs eight people in order to break-even but she has seven people who are registered that she will run the program at a loss because she thinks it is a valid program. Another youth program will then cover for that. She said it would help by grouping these together because this would be where it could be transferrable. She referred to a statement that she had made at last month's Finance Committee meeting and she said there is a group of programs that are like fundraising accounts that have a total of approximately \$120,000 (i.e the Dog Park, etc.). She knows that she can work with Finance Director John Mehr and Mona McKim on this. Lisa Zerio said \$9,000 was raised for the Dog Park and this is sitting dormant right now. If a fence goes then the money for that will come out of this amount. Councilor Guy Drapeau said this goes to his explanation and justification that can be discussed at the Board level if necessary so that there will be this stock answer if one of the people who is sitting there after them in the future has the same question. Chairwoman Cathy Vargas referred to seniors doing any fundraising and she said that any of the fundraising accounts can be left as they are.

Finance Director John Mehr said they have the "R" numbers by expenses that they account for on Munis individually but he thinks the revenue comes in as a gross amount. This will be converted over starting on July 1, 2014 probably. Mona McKim said this is probably something that they will have to look at on their own side. This is being handled in a separate account so she thinks they need to look at a way to manage this. She explained more. This is being handled independently more or less and she thinks this should be handled more through the finance system where the expenditures and the revenues are going through so that this can be reported properly. This will be regardless of what the level of funding is to be maintained so that they can

watch the flow. She thinks this is why this was more of a challenging effort to watch what the flow was. This was to determine from someone else's source of reporting what was entailed exactly. She thinks this needs to be at a level that can be managed and she thinks that the "R" codes are at a higher level than even what they are monitoring so she thinks that a higher level should be watched.

Councilor Guy Drapeau asked what the projects that roll over with fund balances from year to year that are not unrestricted are called in their system. Mona McKim said this is a special revenue fund and they are monitoring the expenditure side of this right now as a project code. Councilor Guy Drapeau asked if they call the other things departments. Mona McKim said yes. Councilor Guy Drapeau said everything is at the Bank of America. Each of these will become a project that will roll from year to year. He said those balances though would still be monitored under this same scenario but they would all be at the Bank of America and properly invested in short term instruments. He said they would be talking about that later in this meeting. Mona McKim said they need to get the other piece of this and that would be for them to account for the revenue side of this through the Bank of America. She mentioned again that it makes it challenging to report this the way they are devising this to be because of the fact that it gets reported in two different sources.

Chairwoman Cathy Vargas asked Councilor Guy Drapeau if his suggestion is to have Finance Director John Mehr, Mona McKim and Lisa Zerio get together. Councilor Guy Drapeau said it is. He said he will send an e-mail to them with regards to what he thinks the takeaway should be. He said what he is saying is just recommendations. The first thing will be for this report to be created in a monthly roll forward so that they can see where their low and high watermarks are. He thinks under these auspices that Finance Director John Mehr can sit down with the group to figure out what the low watermark should be by account so that they can see what the real number should be for June 30th on all of these accounts. Councilor Guy Drapeau said this is what he is thinking. Councilor Bill MacDonald said that is fine.

Councilor Bill MacDonald referred to the scholarships (R0009) and he asked if none were paid out in 2013. He asked why there would be a balance in an account like this. Lisa Zerio said she knows for a fact that they definitely have people who get scholarships because they get a limited amount from Human Services. She referred to her records and said that the scholarship fund is down to \$195. She said the money for that might not have been accounted for and it might have gone to the Summerscape line item. She mentioned like she had mentioned at the Finance Committee meeting last month that they work with Human Services. If someone comes in, for example, to fill out the forms and if they have three children then this will just be absorbed within the soccer program she said. The fees are not being transferred because there is nothing to take this from and the cost will just be covered within that program. Councilor Bill MacDonald told Lisa Zerio that he gets this but he told her that it appears that she has a set of accounting records and the Finance Department has a set too. Lisa Zerio said her records are per program so if someone makes a donation of \$25 for the swimming classes for example, then that will be put in the swimming classes account. Councilor Bill MacDonald asked where this would go on the Finance Department side. Lisa Zerio said that is just one big group and she said the Finance Department doesn't need the level of detail that she needs. Councilor Bill MacDonald asked if their totals tie. Lisa Zerio said the totals definitely tie. Councilor Bill MacDonald said

he would like to see that reconciliation and he is still curious why there is \$4,000 in the scholarship account for which there are no scholarship payments. He said the way he is looking at this is that \$4,000 worth of scholarships could have been funded as of December 2013. Councilor Guy Drapeau asked Lisa Zerio if she did fund this but the funding was just “parked somewhere else”. Lisa Zerio said she would have to go back to look and she mentioned again if they were putting money towards someone’s soccer program then they would put it in the soccer program to help pay for that. She said sometimes they aren’t getting the scholarship money in but they are still absorbing the costs. Councilor Bill MacDonald said the bigger question would be if this is truly a scholarship and what the criteria are for getting it, etc. He imagines there would be a Committee for this. Payments for the scholarship fund should be coming out of the R0009 account. Lisa Zerio said someone had come in a couple of years ago and they had wanted to sponsor a particular child for a Special Needs program. The money was put into that particular program to help to pay for the instructor for that one child. She explained some more.

Chairwoman Cathy Vargas told Lisa Zerio that she didn’t think this was what Councilor Bill MacDonald was asking. Chairwoman Cathy Vargas referred to the \$4,000 in the scholarship fund. She assumed that if someone couldn’t pay for a program that there would be a debit to that and a reduction in that to have the program paid for. She explained if this money is being used for some child to take a program in another line then there should be some documentation or some reference to that.

Mona McKim said the reports are coming from the Parks and Recreation Department on a monthly basis and they are signed by them. She tallies things from their reports so she has no idea why this wasn’t reported to the Finance Department if it wasn’t.

Chairwoman Cathy Vargas said that would be one thing. She referred to Councilor Bill MacDonald’s point and she said that the Finance Department personnel are doing the financial part of this and the Parks and Recreation Department are doing something else from a programmatic point of view. Chairwoman Cathy Vargas said this probably isn’t to the level of the financial detail that they are looking for. They should see the scholarship money going down if someone is being given a scholarship but they aren’t seeing this going down. Councilor Bill MacDonald said he had just picked this as an example and he didn’t know about the other ones.

Chairwoman Cathy Vargas asked Lisa Zerio what the difference is between sponsorships and what there is in other donations for their brochures. Lisa Zerio referred to the sponsorships. Letters have just been sent out for the Fallfest and they just got their sponsorship for the fireworks’ bid, which hopefully would be approved at this meeting she said. She explained that this sponsor wants to be the title sponsor for the Fallfest. This money will go into that account and the fireworks will be paid out of this in October of this year. She said that she has the level of detail as to what money comes in for this. If a sponsor wants to sponsor a soccer team then that will go right into the soccer program to help pay for the t-shirts, etc. Chairwoman Cathy Vargas said the Fallfest is held in October and the person will be paid for the fireworks. She said that she isn’t seeing a large distribution from this account to pay for the fireworks. Lisa Zerio said there is a Fallfest line item in the account. The \$10,000 that they get from Henkel and from Burris will go into this account and the Special Rec check for Fallfest will come out of this. Councilor Bill MacDonald asked what “R” number this will go into. Chairwoman Cathy Vargas

asked if this would be R11 and Lisa Zerio said it would be. Chairwoman Cathy Vargas said this isn't "apples to apples" then. She said if money is being collected for a sponsorship for the fireworks and it will be going through R12 then she is assuming in normal accounting that the expense will go against that number and not against another number. She said this is a little difficult to follow from her perspective. Lisa Zerio said this will be more understandable when she sits down with Finance Director John Mehr.

Councilor Bill MacDonald said he truly believes that this is all geography and Chairwoman Cathy Vargas agreed. Councilor Bill MacDonald said it is hard for them to understand it until it gets into the "right buckets". Councilor Guy Drapeau thinks that Mona McKim will have a much easier time with this and he referred to how she was talking about the project accounting. Councilor Guy Drapeau explained more about this. He said there is a disconnect right now because there are a group of people in Lisa Zerio's office who are using a different accounting method. Lisa Zerio is reporting the best that she can to Mona McKim's group of people. Chairwoman Cathy Vargas said she could appreciate this but she said this report is very confusing if they are looking at it now. Councilor Guy Drapeau said absolutely. Chairwoman Cathy Vargas said their goal is to get to the point where this isn't confusing. Mona McKim agreed and she said this was the best that they were able to create from what they had. Chairwoman Cathy Vargas mentioned about the creating of the project accounting giving them a better understanding as to why there is \$400,000 all the time in the Special Rec Account. She mentioned also about this being moved over to the general fund or whatever they do with it and said that she thinks this would be very helpful too.

Chairwoman Cathy Vargas thinks that the outcome of this discussion they just had is to have Finance Director John Mehr, Mona McKim and Lisa Zerio work together in order to "iron this out" a little bit more. Councilor Bill MacDonald said he had one last question. He mentioned how BlumShapiro comes in every year and how they audit this account. He asked what is actually provided to them for the support of this account. Mona McKim said she has to reconcile this from the manual records that the Parks and Recreation Department is creating to the financial system on June 30th. This has to be reconciled to the bank. All of the "R" codes have to be taken to the expenditures and the cash basis accounting has to be created into an accrual based accounting. She said their cashed based receipts are then taken and she tries to track this to accrual based receivables to create that.

Chairwoman Cathy Vargas asked the Councilors if they had any other questions about this. The Councilors had none.

IV. ACTION – AWARD OF BID – FIREWORKS (FALLFEST) – PARKS

Councilor Guy Drapeau made a motion to approve the Resolution for the Award of Bid – Fireworks Display and forward this to the Town Council. The motion was seconded by Councilor Bill MacDonald and adopted unanimously.

BE IT RESOLVED that the Town of Rocky Hill Town Council award the bid for Fireworks Displays at the Rocky Hill Fallfest on October 18, 2014 and in October 2015 to Zambelli Fireworks Mfg. Co., Inc., 20 South Mercer Street, New Castle, PA, 16101, at a bid

price of \$10,000.00 for each year. The cost for these fireworks displays will be paid from donations made by local businesses.

Report and Recommendation

The Town went to bid for this item on January 31, 2014, requesting that companies provide a description of a firework display that it would put on at a cost of \$10,000. Two bids were opened on February 26, 2014. After reviewing the two submittals, the Park and Recreation staff recommends awarding the bid for the firework display for October 2014 and 2015 to Zambelli Fireworks.

Other Bidder:

Pyrotecnico, Jaffrey, NH

Cost: \$10,000.00

Before this motion was voted on, Councilor Guy Drapeau asked if Zambelli Fireworks Mfg. Co., Inc. has the proper insurance accord in place to cover potential liability if anything was to happen during the event as a result of the fireworks show. He just wanted Town Manager Barbara Gilbert to confirm that she has received this from the vendor and that she has comfort with the liability levels, as well as that the Town is insured as an additional insured on the event. Councilor Guy Drapeau said that he didn't need to see it. Town Manager Barbara Gilbert said yes. Councilor Guy Drapeau said very good.

Chairwoman Cathy Vargas asked the Councilors if they had any other comments. The Councilors had none.

At this point, the motion was voted on.

V. DISCUSSION – BANK BALANCES AND FEES – FINANCE

Finance Director John Mehr said Mona McKim had prepared the bank balances as of January 31, 2014. Finance Director John Mehr thought that the last time they had presented the fees that Councilor Guy Drapeau wasn't present. Councilor Guy Drapeau said he had read the Minutes from that Finance Committee meeting and he said this made a lot of sense. He said he had one comment about Councilor Bill MacDonald's request at that meeting about the overnight sweep. Councilor Guy Drapeau said he currently uses the Bank of America regularly in his day job. He made a call today to his account manager about the overnight sweep question that there was. He had used overnight sweep about seven or eight years ago but he couldn't remember why he had moved away from it. He mentioned that he had received an interesting answer. The account manager told him that overnight sweeps were getting 5% to 6% returns per annum six or seven years ago. The overnight returns today are about five basis points. The Town is currently using the earnings credit option for fee reduction so they are essentially achieving twenty-five basis points in fee reductions. If funds that were previously used for earnings credit purposes were diverted right now to an overnight sweep then the Town would lose part of its earnings credit

which is twenty basis points higher. He recommended that they stay with the earnings credit approach for balances that require cash flows for ninety days or less. He also recommended that all other funds be invested in short term instruments that will allow the Town to achieve higher returns as markets permit. He asked if this makes sense and Councilor Bill MacDonald said yes.

Chairwoman Cathy Vargas asked Mona McKim or Finance Director John Mehr if there were any other comments on this. Mona McKim said no and she said this is exactly where they were. Councilor Bill MacDonald told Mona McKim and Finance Director John Mehr that as the rates go up for them to keep their eye on the trigger point being a quarter now.

Finance Director John Mehr asked Councilor Guy Drapeau if he would like to continue seeing this information on a monthly basis. Councilor Guy Drapeau said he would.

Councilor Bill MacDonald said he would also like for them to try to move to a fewer number of different banks that they are dealing with. Councilor Guy Drapeau said he agreed completely. Councilor Bill MacDonald told Mona McKim that he thought this would help her and she said it does.

Councilor Guy Drapeau said he knows there has been some hesitation with them changing the way they are “parking” their available cash. He told them that he was hoping the next topic they would be talking about now would give them a little bit of comfort. Mona McKim told Councilor Guy Drapeau that he started something good because they had actually started talking about it too.

VI. DISCUSSION – PROPOSED SHORT TERM INVESTMENT POLICY- FINANCE

Chairwoman Cathy Vargas told Councilor Guy Drapeau that they had tabled this at the Finance Committee’s last meeting because he wasn’t present. Councilor Guy Drapeau said thank you and he said that he appreciated that. He asked them if they had any questions on this policy. Councilor Bill MacDonald asked who had drafted this. Councilor Guy Drapeau said he did five years ago. Councilor Bill MacDonald said to make sure that the investment guidelines (the instruments) really fit into the municipality and the duration of their liability. Finance Director John Mehr said they probably would avoid corporate bonds. Councilor Bill MacDonald said he wouldn’t see them investing in any corporate bonds. Finance Director John Mehr said he thought they talked to the Bank of America. Mona McKim said the auditors were also talked to. Finance Director John Mehr said the auditors were okay with this. Councilor Guy Drapeau told them to remember that auditors generally are not in the business of investing money. Mona McKim said the auditors wanted to make sure that the State law is being followed. The auditors wanted to remind her of the State Statute with regards to her not doing bonds and that she stays with what is allowed in the Statute. Councilor Guy Drapeau asked if there is a Statute that limits their investment decisions. Mona McKim said yes. Councilor Guy Drapeau said he would love to see this. Mona McKim said there might be some leverage in this. This is State Statute Section 7-400. Councilor Bill MacDonald asked if this policy complies with the State Statute. Finance Director John Mehr referred to corporate bonds and Mona McKim said this didn’t comply. Finance Director John Mehr said he wasn’t sure about commercial paper. Councilor Bill MacDonald said they have to make sure the policy complies before they approve it or move

forward with it. Councilor Guy Drapeau said absolutely. Finance Director John Mehr mentioned some of the things that he thought complied and some of the things that he thought didn't comply.

Councilor Guy Drapeau said for clarification purposes that commercial paper is defined as short term corporate debt, which is essentially a bond that is initiated and matures in less than one year. Finance Director John Mehr said this is usually backed by a line of credit. Councilor Guy Drapeau said absolutely. He said this would actually be two hundred and seventy days so it is under one year. He told them if they look at the quality of the investments then it gives them assurance that the instruments they are investing in are extremely secure. He explained some more about what will give them a little more comfort with regards to them investing in the right kinds of products.

Councilor Guy Drapeau said he had a couple of changes to this for the record and for discussion purposes. He asked Chairwoman Cathy Vargas if she wanted him to go over these now or if she wanted to wait until the State Statute information comes in. Chairwoman Cathy Vargas said she wanted Mona McKim and Finance Director John Mehr to check this policy with the State Statute for the next meeting of the Finance Committee and for them to come back with any changes as far as this is concerned. Councilor Guy Drapeau asked Chairwoman Cathy Vargas if it was okay with her if he works with Mona McKim and Finance Director John Mehr on the side because he had a couple of changes that he actually had done some research on seeing this is a document that is five years old. Councilor Guy Drapeau said the markets were very different five years ago. There are a couple of small changes. One of these has to do with CDs up to \$250,000. He doesn't think right now that they can legally invest in one institution's CDs that are greater than \$250,000 so the language doesn't line up really well. He suggested they change the Certificates of Deposit in Section 2 in the policy so that this will be up to \$250,000. He said that he also had looked at Section 3 (a & b) in the policy with regards to this stating not more than 25% of total assets and not more than 10% of total assets. The market was very volatile five years ago so they took a very conservative approach to how they invested their short term investments. He said the market is a little more robust now and the Dodd Frank Rules, among other investment rules, have been tightened up quite a bit since then so he is recommending that these numbers be bumped up to 30% and 15%. He explained some more and he asked everyone if they understood what he was trying to say. Everyone said yes. Councilor Guy Drapeau said these were the only two changes that he had for now. Chairwoman Cathy Vargas asked Mona McKim and Finance Director John Mehr to make sure that these changes fit in with the State Statute.

Chairwoman Cathy Vargas asked Councilor Bill MacDonald if he had anything else. Councilor Bill MacDonald said no.

VII. DISCUSSION/POSSIBLE ACTION – ORDINANCE – POLICE PRIVATE DUTY – TOWN MANAGER

Town Manager Barbara Gilbert said they have always had an Ordinance that set the fees for Police private duty but it has been recommended by the RHPD that the charitable rate be eliminated. This rate was 50% of the hourly rate so they were losing money on this big time. Certain events come in that aren't beneficial to the Town (i.e. GHO). Traffic for the GHO is

done on West Street and various other intersections. The GHO has asked for the Town for a donation and for there not to be any rate. She said that she can't waive this Ordinance. The GHO would come in under the charitable rate. The Town loses money and the expense of overtime isn't being covered. Chief Mike Custer and Lieutenant Brian Klett have recommended that this be revised. Town Manager Barbara Gilbert said she and Lieutenant Brian Klett worked on this and she told the Councilors that they had the final document. Town Manager Barbara Gilbert said a clause has been added in this where this will increase itself annually by the percentage of the union contract salary increase. They will never fall behind now. They found out years ago that the wages being established were five years old so those weren't even covering the current wages. They will never lose money now on private duty by automatically having this increase by the percentage of a salary increase.

Chairwoman Cathy Vargas asked if the only place they currently are losing money is for the charitable. Town Manager Barbara Gilbert said yes and this has been eliminated. They are also recommending that if someone doesn't cancel within a minimum of two hours before an event that they must pay for the first four hours. This will be so that this can comply with the union contract. She explained some more.

Councilor Guy Drapeau started to ask Town Manager Barbara Gilbert if she was saying that this policy will eliminate the potential for them when she said that this is a modernization of a current policy. Town Manager Barbara Gilbert said this is an Ordinance so it has to go to the Town Council and it has to go to a public hearing. This will then have to be adopted by the Town Council and advertised, etc. Chairwoman Cathy Vargas asked if a motion had to be made to have this sent to the Town Council. Town Manager Barbara Gilbert said she would appreciate that and she said that she did put this item on the agenda for a Town Council meeting. Chairwoman Cathy Vargas asked for a motion.

Councilor Guy Drapeau made a motion to approve an Ordinance Repealing Section A249-3 of Chapter 249 of the Town Code entitled "An Ordinance Establishing Fees For The Town of Rocky Hill", and amending it with the following and forwarding this to the Town Council:

BE IT ORDAINED BY THE Town Council of the Town of Rocky Hill that:

A249-3 Police Department

Police Private Duty Hourly Rates*^

Weekday Rates - \$87.90 4 hour minimum

Weekday Rates - \$116.75 for more than 8 hours; 4 hour minimum

Weekend, Holidays, and between the hours of Midnight to 7 a.m. - \$116.75; 4 hour minimum

***These rates are to be increased annually on July 1st by the percentage of the annual increase received in accordance with the Police Contract.**

^ Jobs not cancelled with a minimum of 2 hours' notice will be subject to the 4 hour minimum payment and billing.

The motion was seconded by Councilor Bill MacDonald and adopted unanimously.

Before this motion was voted on, Councilor Bill MacDonald asked how these numbers were determined because he said that they seem very precise. Town Manager Barbara Gilbert said this had been figured out by their Payroll Clerk as to what she felt would cover the overtime, the benefits and the administrative fee for their billing.

Town Manager Barbara Gilbert told them that just one section is being repealed but there is a larger Ordinance that has certain other fees in it and they are still working on that. They felt though that they needed to move forward faster with this one because of the season coming up for a lot of private events.

Chairwoman Cathy Vargas asked the Councilors if there were any other questions. There were none.

At this point, the motion was voted on.

**VIII. DISCUSSION/POSSIBLE ACTION – ORDINANCE - PAYMENT OF
DELINQUENT TAXES FOR ISSUANCE OF PERMITS, LICENSES,
AND CERTIFICATES – TOWN MANAGER**

Town Manager Barbara Gilbert told the Councilors that she had the backup data for this sent out to them electronically today because their packets had gone out on Monday when she was out ill and she hadn't given Finance Director John Mehr the backup data. Town Manager Barbara Gilbert said this has been requested by the Tax Collector and it has been adopted in other communities. This will require people to pay their taxes before they get any permits. She gave an example of a restaurant coming into Town. They then close and leave all of their personal property unpaid. They go across the street and then open under a new LLC or even the same LLC. Permits have to be taken out. There is nothing currently that is specific to Rocky Hill which states that they can't be given the permit so this becomes a call that is judgmental. She explained by this being put in place that taxes must be paid before new permits are issued on anything.

Chairwoman Cathy Vargas asked for a motion and she said that they could have a discussion after that.

Councilor Guy Drapeau made a motion to approve an Ordinance Requiring the Payment of Delinquent Taxes For Issuance of Permits, Licenses, or Certificates and forward this to the Town Council:

BE IT ORDAINED BY THE Town Council of the Town of Rocky Hill that:

The issuance of building permits, certificates of occupancy or other certificates, permits, licenses or approvals related to the construction, alteration, occupancy or use of structures or land shall be withheld when there are delinquent real or personal property taxes with respect to the subject property. All building or zoning certificates, permits, licenses, or

approvals for construction, alteration, occupancy or use of structures or land must be withheld by the building or zoning official until the Tax Collector verifies that no tax delinquencies exist on the property for which the permit, license or certificate is sought. This ordinance shall apply to property owners and tenants who jointly or severally have delinquent real or personal property taxes.

The motion was seconded by Councilor Bill MacDonald and adopted unanimously.

Before this motion was voted on, Councilor Guy Drapeau said he got the “spirit of this” and he just wanted to make sure that he understood all of the variables that could happen. He gave an example of a person not paying taxes on their old restaurant and then trying to open a new restaurant. He then mentioned car taxes and house taxes, etc. and he asked if this would refer to all Town types of taxes. Town Manager Barbara Gilbert said no. This would be for real estate taxes and personal property taxes. Councilor Guy Drapeau asked about if a person has a restaurant in another Town and if they don’t pay their taxes. Town Manager Barbara Gilbert said this won’t affect them. Councilor Guy Drapeau confirmed that this would only affect the person who is applying for a permit and that this doesn’t affect the property. Town Manager Barbara Gilbert gave an example of her being a property owner who is delinquent in her personal property taxes or real estate taxes. She needs to sign off on a permit as a property owner in order to allow a tenant to come in so that what was there for one business could be demolished and this can become another business. She would have to pay her taxes now before she gets the benefit of the permit. She then gave another example of her being an individual who leases space. She has personal property taxes on Business A. She closes that business and goes up the road to open Business B and that has an entirely different name. She is going to modify that structure so she goes before zoning to have this done. Her taxes on Business A are unpaid so those would have to be paid before she can open Business B. This is a subjective call now because the Statute allows them to do this but nothing is requiring that this be done. Now, the Tax Collector will be notified whenever a request for a permit comes into place and she will assure them that the taxes have been paid. The permit can then be issued. This isn’t something that will take a large amount of time to do. This is being recommended through the Tax Collector’s Association to make sure that the Tax Collectors bring in as much revenue as possible. Town Manager Barbara Gilbert said taxation is supposed to be a sense of fairness. Everyone benefits if everyone pays their taxes.

Councilor Guy Drapeau said he is worried about the forward motion aspect. He gave an example of a company in another Town that has fifty employees and they are looking to move into Rocky Hill. The place they want to have a lease at hasn’t paid all of its taxes. He said this company could run into a roadblock and be prohibited from coming into Town. Town Manager Barbara Gilbert said any business coming into Town typically vets their landlord very thoroughly and she said this would be more with the businesses that are going from building to building. They have had this happen. She said this could also become the homeowner because some of them don’t pay their taxes. These people come in to pay their taxes in full as soon as a collection letter is sent out. She said the way things are now that these homeowners who don’t pay their taxes could add onto their homes. Councilor Guy Drapeau asked if there is the ability to exercise now what they are trying to put into an Ordinance. Town Manager Barbara Gilbert said the State Statute allows this but they haven’t endorsed this as a Town. Councilor Guy

Drapeau asked if the Town has the flexibility to say no or to say yes right now if a company wants to do what he had just been talking about and if they haven't paid their taxes. Town Manager Barbara Gilbert said not really. They tried to say no once. Councilor Guy Drapeau asked how this will change the current way it is. Town Manager Barbara Gilbert said this will require that this be done now.

Chairwoman Cathy Vargas said this won't just be for businesses. This would be also for someone who wants to do something to their house. She thinks this is a good thing.

Councilor Guy Drapeau said that maybe he was confused. He said the State Statute states that they are already required to do this. Town Manager Barbara Gilbert told the Councilors again that this State Statute was sent to them electronically.

Councilor Bill MacDonald said he hadn't seen this yet either. He said that he had a couple of quick questions of which he thinks his first one had been answered already. He confirmed that this will apply to both the residents and to commercial. Town Manager Barbara Gilbert said yes. Councilor Bill MacDonald said good. He gave an example of a business that is called ABC, LLC and they don't pay their taxes. They open up another company that is called BBB, LLC. He said they will get through because there would be no tie back to that. Town Manager Barbara Gilbert started to say unless they know who when Councilor Bill MacDonald said he got that. Councilor Bill MacDonald then asked how the process is going to work. He said this Committee had the Tax Collector in front of them once and he said he doesn't know how many years she is going to be looking back. The suspense list has thousands of characters (multi-million dollars of unpaid taxes). He asked if the Tax Collector is going to look through this and he asked how this is going to work. Town Manager Barbara Gilbert said the bulk of this is personal property. The Tax Collector will go to her online database to look at this and she will do a search. Councilor Bill MacDonald gave an example of him coming in for a building permit and how they (Building Dept.) are going to have to check to make sure he has paid his taxes. He asked if the Building Department will call the Tax Collector or if he has to go downstairs to that office. He asked what the process will be. Town Manager Barbara Gilbert said typically that building permits are not signed off on right away. An application is filled out and then it goes to the Building Official to be reviewed, etc. There will be a Tax Collector check as part of this review. Councilor Bill MacDonald asked if there will be some sort of a stamp on the permit. Town Manager Barbara Gilbert said something will be checked or signed. She explained some more. Councilor Bill MacDonald wants some sort of evidence that this was done. Town Manager Barbara Gilbert said there is going to have to be some sort of confirmation.

Councilor Guy Drapeau asked what the recourse will be if someone owes taxes so they say no (with regards to the permit) and this person says they aren't going to pay the taxes. He said the property will just stay there and it eventually will get blighted. He asked if the recourse will be for them to let it sit there until such a time that they can take it. Councilor Bill MacDonald said that would be something different. He referred to how Berlin has just instituted their tax sale process. He thinks that Rocky Hill as a Town should consider that. He explained some more about this. He said it would be easier to do this instead of paying Town Attorney Morris Borea or other attorneys a "boatload" of money to go through the whole collection process. Town Manager Barbara Gilbert said that she and Town Attorney Morris Borea have started this

discussion. Town Manager Barbara Gilbert gave more details about that. She has asked Town Attorney Morris Borea about them having a tax sale because she thinks this would be a very good policy. Town Manager Barbara Gilbert encouraged the Councilors to look at this because she thinks this will be beneficial to everyone.

Councilor Guy Drapeau confirmed that this will get them further down the road. Town Manager Barbara Gilbert said it will. She said typically the Tax Collector doesn't make recommendations lightly when she makes them. Town Manager Barbara Gilbert said she supports these because she thinks they are good for the Town and it is good to keep the "even playing field".

Chairwoman Cathy Vargas asked if there was any other discussion. There was none.

At this point, the motion was voted on.

Town Manager Barbara Gilbert said she will have the Tax Collector present at the Town Council meeting that this item will be discussed at.

IX. UPDATE – STATE AID TO MUNICIPALITIES FOR 2013-14 BUDGET-FINANCE

Finance Director John Mehr said the Town got its full amount of Town road aid and this came to a total of \$341,000. They got the new municipal revenue sharing bond payment in. They didn't budget for this because the State legislature had adopted this after the Town adopted its budget so they picked up \$208,000 of extra revenue.

Councilor Guy Drapeau referred to the Mashantucket grant and he asked Finance Director John Mehr if they are going to get any more money from that. Finance Director John Mehr said they should be getting two more payments. Councilor Guy Drapeau said great.

Chairwoman Cathy Vargas asked the Councilors if they had any other questions. The Councilors had none. Councilor Bill MacDonald said this looks good and he said thank you.

X. MONTHLY FINANCIAL REPORT – FEBRUARY 2014 – FINANCE

Chairwoman Cathy Vargas asked Finance Director John Mehr if he had any comments about this before they asked their questions. Town Manager Barbara Gilbert asked if she could speak and Chairwoman Cathy Vargas told her she could. Town Manager Barbara Gilbert said after she went through this report that she has frozen the overtime accounts in the Highway Department and the Parks and Recreation Department, other than for weather related events. This will also apply to Police callouts other than for weather related events. She thinks this is a prudent thing to do until such a time that they know how they are going to cover those losses and they are comfortable as to how they are going to cover them. It is their intention to freeze additional accounts if they feel they need to.

Chairwoman Cathy Vargas asked Finance Director John Mehr if he had any comments. Finance Director John Mehr referred to the Tax Collector's report. They are doing pretty good through

February as far as them comparing this to their three month rolling average. He said they are getting into the area now where collection is sort of questionable. There is a concern about them meeting their current levy tax dollar amount. They are at 97.6% and they use 99% so there is a percentage there of questionable monies. They are in good shape currently but the last four months are going to be key.

Councilor Bill MacDonald asked Finance Director John Mehr what he thinks the amount of risk is. Finance Director John Mehr thinks they have a 60% to 70% chance of collection so he said this probably will be 30%. He mentioned again how they had the extra revenue coming in on the municipal revenue sharing bond so this will help to offset any shortfalls in this.

Councilor Guy Drapeau said he had one comment. He referred to how the Town has one thousand, four hundred motor vehicle tax delinquents. He finds it hard to believe that they have no leverage over these people. He asked how many cars they have in Rocky Hill. Town Manager Barbara Gilbert said they have eighteen thousand cars. Councilor Guy Drapeau asked if this is 10% and Town Manager Barbara Gilbert said it is slightly less. Councilor Guy Drapeau said this is a lot of cars. Town Manager Barbara Gilbert said municipalities under fifty thousand are at a great disadvantage. They can't use the nonpayment of taxes to stop the registration of a motor vehicle if taxes aren't paid but any community that has over fifty thousand can't have a car renewed for nonpayment of taxes. She referred to this being tied to the stickers for registrations that are no longer visible. She explained more about this. She said the thought was that if the Police Department stops someone for nonrenewal of their registration that they could also collect the taxes. She had a lengthy conversation with the Tax Collector in New Britain who is doing this and she had stated that legally they can't issue a ticket. She explained in New Britain that notes are issued only between 8:30 a.m. and 4:30 p.m. about someone's taxes not being paid and this asks them to please go and pay them. She then referred to how the Town of Bristol ended up in Court and lost because they had tried booting people for nonpayment of taxes. People aren't registering their cars because they don't have to display the stickers. This is a chronic problem. She said that she and Chief Mike Custer have talked about confiscating people's plates until they come in to show that their taxes have been paid. Chief Mike Custer feels this would be a very Staff heavy process and he doesn't feel that he has the Staff to do this right now. A great responsibility would be taken on. Town Manager Barbara Gilbert said if someone is stopped for an unregistered vehicle that the next morning they can go to just pay the towing company or whoever is holding the impounded car because they don't care. They will be back out on the road. Councilor Guy Drapeau told Town Manager Barbara Gilbert they have an idea. Town Manager Barbara Gilbert said they do have an idea as to how to do this but she said that Chief Mike Custer isn't comfortable having the Staff to do this. Town Manager Barbara Gilbert said this is something for future conversations with Chief Mike Custer. Councilor Guy Drapeau said he likes it. Town Manager Barbara Gilbert referred to the license plate readers that pick up nonregistered vehicles. She said the description that one Police Officer had given to her with regards to some streets in this Town is that this is like "shooting at fish in a barrel". Councilor Guy Drapeau said this is because there are so many of them. Town Manager Barbara Gilbert said yes. She said some people don't realize that their registration will end up getting cancelled if their emissions aren't done. Councilor Guy Drapeau said he hopes that Chief Mike Custer watches this meeting. Councilor Guy Drapeau said generally if a car isn't registered that it isn't insured and then they have a liability problem on all other drivers. He said the tougher, the

better. Town Manager Barbara Gilbert said this is why she supports the license plate readers. Her opinion is that the license plate readers protect the residents in this community who are driving around from the uninsured driver who will cause them a double undue burden if there is an accident. This would be with regards to them being injured and then they would have to bear the cost completely themselves too.

Chairwoman Cathy Vargas asked if there were any questions on individual things in the Monthly Financial Report. Finance Director John Mehr said he tried putting notes down. They are going to start seeing overages, especially in salaries, because of retirements. Councilor Guy Drapeau told Finance Director John Mehr that he loves his notes. Councilor Guy Drapeau said these notes answered his questions even before he had them. He highly recommended that this process be continued and he told Finance Director John Mehr to be as detailed as he wants to be because the fewer questions they will have at the Town Council level with the more information there is.

Finance Director John Mehr said the pension contributions were made for all of the pensions this year and these were all put into fixed to keep their portfolio percentages between equities and cash as opposed to what their investment policy is.

Chairwoman Cathy Vargas referred to Page 32 of this Monthly Financial Report. She said she had an observation on the Highway Department Supervision Part Time Salaries. This is at almost 100% of the budget and she was curious if they knew why this was. Finance Director John Mehr said this ties into people who work at the transfer station. He thinks this is high because these people do a lot of the shoveling of the sidewalks from snowstorms. Town Manager Barbara Gilbert said all Town owned sidewalks must be shoveled twenty-four hours after a snowstorm. The Highway Department and Parks and Recreation Department crews are still in storm cleanup mode so some of the transfer station workers and anybody else who they can recruit are utilized. Chairwoman Cathy Vargas said this will be an overage because these people will have to work at the transfer station as soon as the weather gets nice. Town Manager Barbara Gilbert said Glenn Parent (Highway Supt./Recycling Coordinator) has already been told that he has to absorb the cost within his budget line and she isn't sure how he is going to do this. Chairwoman Cathy Vargas said she didn't see this either.

Chairwoman Cathy Vargas referred to Page 45 of this Monthly Financial Report. This was for facilities and building maintenance. There are six line items that are over 100% and another one is at 97%. They are supposed to be at 67% now. She mentioned some of these line items and she said she was curious as to why there are so many here. Finance Director John Mehr said that service contracts relate to the fact that the Town doesn't have a full time HVAC employee so they have a service contract with a HVAC contractor. He then referred to building repairs and ground repairs. Some years, one of these will be high and the other will be low so this is like a wash. They are trying to track the types of expenses a little better as opposed to them being put all in repairs. Chairwoman Cathy Vargas asked if the part time line item and overtime one are due to storms also. She confirmed that storms affect a lot of different accounts. Town Manager Barbara Gilbert said yes. Finance Director John Mehr said he knows that water is high in the school budget because the MDC put out an additional fee now and he explained more. Mona McKim said some of this is due to the coding. Town Manager Barbara Gilbert said Mona McKim will look at all of the coding. Mona McKim thinks they have someone who created the

budget versus new management that is doing the spending off of it. She thinks this is how they are interpreting the job they are doing and she explained more.

Town Manager Barbara Gilbert told them if they go back to look at everything other than salaries over the course of several years that the budget was never increased to cover the cost of living, etc. This is a problem and she told them that they will see a very different budget in this year's budget.

XI. LEGAL BILLS – TOWN MANAGER/FINANCE

Town Manager Barbara Gilbert referred to an entry that was only for \$16. Chairwoman Cathy Vargas said she was wondering about that one and she was going to ask about that. Town Manager Barbara Gilbert gave more details about the legal bills. She explained that Town Attorney Morris Borea has a new person who is handling their billing and this is still taking time.

Chairwoman Cathy Vargas asked for a motion.

Councilor Guy Drapeau made a motion to approve the Legal Bills and forward these to the Town Council for its Consent Agenda. The motion was seconded by Councilor Bill MacDonald and adopted unanimously.

BE IT RESOLVED THAT the Town Council/Finance Committee hereby authorizes the payment of the following legal bills for services rendered.

Rome McGuigan, P.C.	\$33,536.09 (Jan and Feb)
Joseph Fasi LLC	<u>\$ 0.00</u>
<u>TOTAL</u>	<u>\$33,536.09</u>

Finance Director John Mehr asked the Councilors if they got the summary. Councilor Guy Drapeau said yes and he said this was great.

XII. UPDATE – USE OF OVERTIME – TOWN MANAGER

Town Manager Barbara Gilbert handed out the overtime report to the Councilors. She apologized to them for them getting this today but she mentioned again how she had been out sick so she didn't get this into the packet. She said they aren't doing well in overtime. Much of this is storm related. She then referred to Police Records and she said she is expecting some overtime due to some illnesses in the Clerical Staff. She said this might change but she isn't expecting it to change too much. The patrol overtime is trending well. The Police Officers that the Town was allowed to hire have helped to reduce this. She said if Chief Mike Custer or Lieutenant Brian Klett were present now that they could probably break this down to detail to show them this. Town Manager Barbara Gilbert said she recommended to Chief Mike Custer that they need to raise this at least to be equivalent to the salary increases in the union contracts

or otherwise this will be doomed to go over. She said that the second sheet has a breakdown of the Police overtime and what caused it. They are also looking at changing certain days so that there can be no days off on certain shifts for one day so that they won't be paying people overtime to come in for training if training has to be done. She told them to stay tuned for this.

Chairwoman Cathy Vargas asked the Councilors if they had any comments. Councilor Guy Drapeau said the only recourse they had was for Town Manager Barbara Gilbert to freeze this and he thought they had done this a little while ago. Town Manager Barbara Gilbert said she had to do this. She explained some more.

XIII. OTHER

Town Manager Barbara Gilbert said she didn't know if anyone was going to bring up Expense Reduction Analysts again or not but she believes this is a decision to be made by her successor. She doesn't want to set a policy in place that her successor will have to live with and that might not be what their position is. Councilor Guy Drapeau said fair enough. Chairwoman Cathy Vargas said that is very good and she thanked Town Manager Barbara Gilbert.

XIV. ADJOURNMENT

Councilor Guy Drapeau made a motion to adjourn the meeting at 5:43 p.m. The motion was seconded by Councilor Bill MacDonald and adopted unanimously.

Respectfully submitted,

Jo-Anne Booth
Recording Secretary